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Executive Summary

ACHIEVING A BALANCE

Gaming Licensing Policy Review

July 30, 2001

Alberta
GAMING AND LIQUOR
COMMISSION

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EXECUTIVE SUMMARY

Introduction

This report contains findings and recommendations from a review of gaming licensing policies, to address issues related to the growth of gaming in the province. The views and perspectives of Albertans and stakeholder groups were instrumental in arriving at the recommendations presented in this report.

Background

The Minister of Gaming requested a review of gaming licensing policies in December 1999. The aim of the review was to arrive at policies that clearly set out procedures and processes to address proposals related to the growth or expansion of gaming activities.

Charitable organizations, First Nations, private operators and other parties have expressed interest in new or expanded gaming. For example, interest has been expressed for new or expanded casinos, including First Nations casinos, new games such as keno and electronic bingo, and new gaming environments such as "games rooms" in hotels.

The Minister directed, during the Gaming Licensing Policy Review, that the Alberta Gaming and Liquor Commission (the Commission) suspend consideration of requests to license or approve new casinos, casino expansions or re-locations, new games and new gaming environments.

Gaming Licensing Policies

Gaming licensing policies are the ground rules for the gaming industry. They include general policies or standards, and specific terms and conditions, for the administration, regulation and delivery of gaming activities.

The fundamental purpose of gaming is to benefit charitable, non-profit, public and community-based initiatives. To that end, the gaming industry of the province must be administered and regulated so the integrity of gaming activities are ensured and the proceeds from gaming are directed to approved purposes. Albertans expect gaming activities to be delivered in a socially-responsible manner.

Gaming Activities in Alberta

There are two general categories of gaming activities that are covered by the licensing policy review. They are charitable gaming and provincial lotteries.

Charitable gaming activities refer to bingo, casino table games, pull tickets and raffles (charitable lotteries). Charitable gaming activities are conducted and managed by eligible charitable or religious groups that are licensed by the Commission. The proceeds the charitable or religious groups raise from charitable gaming must be used for approved charitable or religious purposes.

Provincial lotteries refer to slot machines, ticket lotteries and video lottery terminals (VLTs). These gaming activities are conducted and managed by the Commission on behalf of the provincial government and delivered to consumers by private operators or retailers under agreement with the Commission. The proceeds from provincial lotteries are placed in the Alberta Lottery Fund and disbursements from the lottery fund are approved by the provincial legislature.

Horse racing is not part of this review. It is administered and regulated separately by the Alberta Racing Corporation.

Achieving a Balance

There are a number of interests and issues related to gaming activities. Gaming activities generate numerous benefits for Albertans. They also create serious issues for a small percentage of Albertans who experience problems with their gambling.

In this regard, Albertans expect the government to control and manage gaming activities in a socially-responsible manner. In addressing growth, the government is expected to achieve a balance between the social capacity and fiscal capacity of the province. Social capacity includes the public acceptance and social impacts of gaming activities. Fiscal capacity includes the demand for gaming by consumers and the economic impacts of gaming activities. The recommendations in this report were made with this balance in mind.

> *In fiscal year 2001, gaming activities in Alberta generated gross sales (before prizes) of $14.6 billion, of which more than $13.1 billion was returned to players as prizes.*
>
> *Over the last 10 years, the proceeds to charities from charitable gaming, and to the Alberta Lottery Fund from provincial lotteries (after retailer commissions, expenses and taxes) has grown from $235 million to more than $1.1 billion per year.*

Objective of the Review

The objective of the policy review is to recommend gaming licensing policies that will address issues of growth in gaming and continue to ensure the effective regulation and socially-responsible delivery of gaming activities in the province over the next five years.

What criteria should be used to determine the number of casinos in the province?

How should proposals for new gaming activities, such as rapid keno and electronic bingo, be addressed?

What approach should the province take regarding the use of the Internet for purposes of gaming?

What further measures should be taken to ensure that gaming activities are delivered in a socially-responsible manner?

Some of the issues identified during the Gaming Licensing Policy Review

Legislative Authority

The Minister of Gaming is responsible for the Alberta Gaming and Liquor Commission (the Commission) and its Board.

The Commission is governed by the *Criminal Code* of Canada, the *Gaming and Liquor Act* (Alberta), the *Gaming and Liquor Regulation* (Alberta) and policies established by the Minister of Gaming and the Commission's Board under the provisions of the *Gaming and Liquor Act* (Alberta).

The *Criminal Code* gives the provinces the authority to administer and regulate gaming activities. That provincial authority includes, but is not limited to:

- issuing gaming licences to charitable or religious organizations, if those organizations use the proceeds for charitable or religious purposes; and
- conducting and managing ticket lotteries and electronic gaming such as slot machines and video lottery terminals (VLTs).

The Commission assumes those obligations as an agent of the province. Its core businesses, goals and key strategies are established in accordance with the government's three-year business planning process.

Process of the Review

The process of the Gaming Licensing Policy Review was comprised of four phases as follows:

1. **Development of Preliminary Strategies** - A cross-section of senior Commission managers and key staff identified issues related to the growth of gaming activities and suggested potential strategies to address those issues.

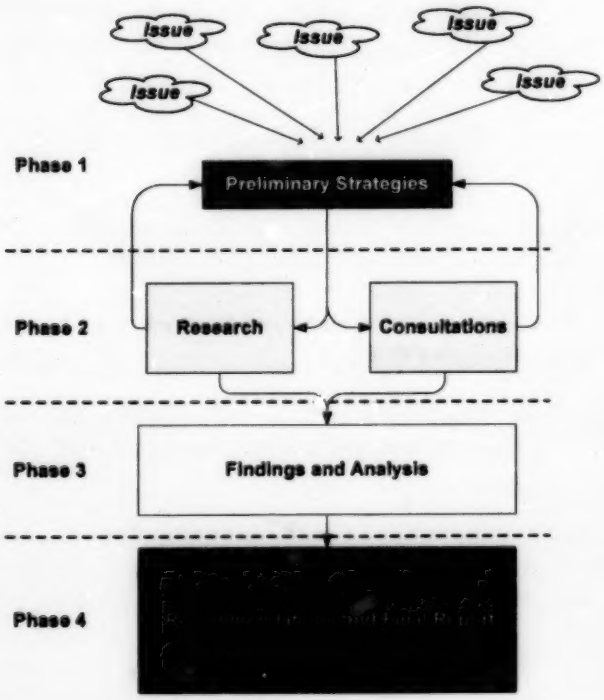
2. **Research and Consultations** - Formal stakeholder consultations were held. Market research was also conducted to determine current public and player gaming attitudes, perceptions and behaviours. A literature search was undertaken to identify significant studies, reports and other literature related to gaming.

3. **Findings and Analysis** - Key findings from the market research, stakeholder consultation and literature search were reviewed against the preliminary strategies and analyzed to develop appropriate recommendations.

4. **Development of Recommendations and Final Report** -Recommendations were developed based on the analysis of key findings and incorporated into the final report.

The diagram below represents the relationship among each of the four phases.

Figure 1: Policy Development Model



Key Considerations - Alberta's Current Gaming Environment

The following were key considerations during the Gaming Licensing Policy Review process.

GOVERNMENT REGULATION AND MANAGEMENT

Regulation and Control

Legislation, regulation and policies governing gaming activities determine the shape and size of the gaming industry. These form the framework for gaming policies. The gaming industry is regulated and controlled within this framework.

Achieving a Proper Balance

Albertans expect the government to achieve a balance between the social capacity and fiscal capacity for gaming activities in the province.

Demand for Gaming Proceeds

There is ongoing pressure for proceeds from charitable gaming and provincial lotteries (Alberta Lottery Fund) to help support charitable, non-profit, public and community initiatives throughout the province.

Charitable Gaming Model

The government has made a commitment to maintain the province's charitable gaming model. In this model, eligible charitable groups are licensed to conduct and manage various charitable gaming activities and earn the proceeds directly from those activities.

Standards of Gaming Policies

Gaming policies must meet basic requirements or standards. They must ensure the integrity of gaming activities, be transparent, ensure accountability for gaming proceeds and be fair and consistent both in content and application.

Social Responsibility

Albertans expect gaming to be delivered in a socially-responsible manner. They recognize, while gaming has become an acceptable form of entertainment for many, there also are Albertans who experience serious problems with their gambling.

Research Into Costs and Benefits

The public and stakeholders want a full analysis of the benefits and costs of gaming in the province. Currently, the Alberta Gaming Research Institute and Alberta Gaming Research Council are responsible to examine the social and economic issues.

Partnership

The provincial government, charitable organizations, private operators and retailers and those employed in the gaming industry are all stakeholders in the province's gaming industry. The integrity and socially-responsible delivery of gaming activities are shared responsibility among them.

ALBERTA'S GAMING INDUSTRY

Complexity and Diversity

There are seven types of gaming activities available in Alberta (bingo, casinos, pull tickets, raffles or charitable lotteries, slot machines, ticket lotteries and VLTs). Each has its own history, market, and manner of delivery.

Gaming Infrastructure

Those who directly deliver gaming activities to players include: charitable organizations and their volunteers; private operators and retailers under agreements with charitable organizations; retailers in agreement with the Commission and, in the case of ticket lotteries, the Western Canada Lottery Corporation (WCLC).

Market Competition

Those who conduct gaming activities are allowed to compete for the gaming dollar within the bounds of legislation, regulation and policies.

Product Life Cycles

Gaming products or services have their own life cycles based, among other factors, on their consumer or player base, changing demographics and the introduction of new technologies.

Effect of Technology

Stakeholders involved with traditional or mature gaming activities are compelled to consider new technologies to retain market share and deliver acceptable products. Stakeholders want a level playing field regarding the use or introduction of new technologies in their gaming activities.

Pressures for Growth

Interest has been expressed by charitable organizations, First Nations and private operators for new casinos, including First Nations casinos; new gaming activities such as keno and electronic bingo and new gaming environments, such as hotel "games rooms."

Do existing policies give all eligible charities a fair and equitable opportunity to earn proceeds from charitable gaming? If not, how can the policies be improved?

Do current policies create a level playing field for the stakeholders who are involved in gaming activities? If not, how can those policies be improved?

Some growth-related issues identified during the Gaming Licensing Policy Review

Key Findings

Following are the views and perspectives of the Alberta public and stakeholder groups obtained during the Gaming Licensing Policy Review. The manner in which the views and perspectives of the public and stakeholders were gathered is described on page 1-12.

Views of the Public

What are adult Albertans' views on the growth of gaming and the availability of gaming activities? How many participate in gaming activities? How aware are Albertans about the use of gaming proceeds? What are their views on problem gambling?

The views and perspectives of Albertans on these and other topics were sought through public opinion research conducted in May and June 2000, during the Gaming Licensing Policy Review.

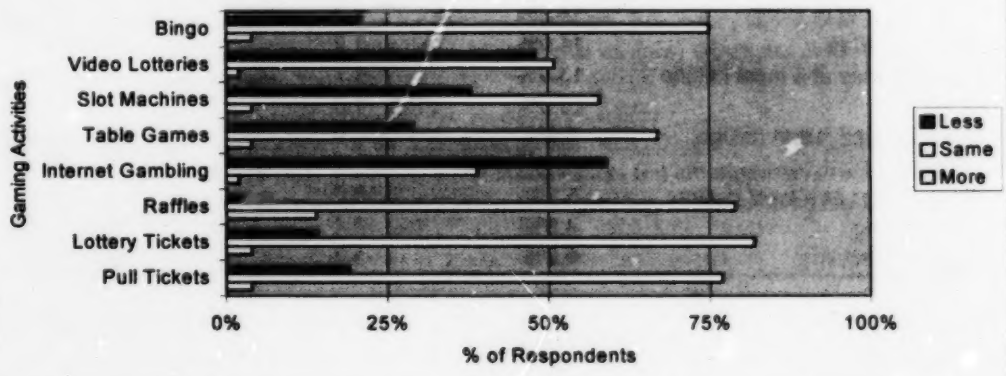
Public on Gaming in General

When asked about the issues facing people in Alberta, only 1% of respondents mentioned gaming or gambling as the most important issue. This compares to 67% who mentioned healthcare, 24% education and 12% taxes. When prompted, Albertans generally express strong views about gambling.

Public on Availability of Gaming Activities

Generally, Albertans feel the availability of gaming activities should remain the same. Few wanted less availability of gaming activities and fewer still wanted more availability. The notable exception is Internet gaming, of which more than half of Albertans wanted less availability (even though the province does not conduct or manage any gaming activities using the Internet).

Graph 1-1: Desired Availability of Gaming Activities (Albertans 18+)



While more than half of Albertans feel availability of video lotteries (VLTs) and slot machines

should remain the same, just under half want less availability of VLTs and about one-third want less availability of slot machines. The public tends to view Internet gaming, VLTs and slot machines as "harder" forms of gaming.

Public on Gaming Revenue and Use of Proceeds

Generally, Albertans indicated they are unaware of how gaming proceeds are used, but believe proceeds go to good causes.

Many Albertans believe more money should be spent to inform Albertans about the use of lottery proceeds (the Alberta Lottery Fund). Less than 20% could recall having seen or heard anything about where gaming proceeds go.

Most felt proceeds should be directed to charities (35%), health care (29%), education and schools (23%), community organizations (21%), community facility enhancement (15%), sports and recreation (14%), among others.

Many are not aware of how proceeds from many gaming activities are being used, nor are they aware of which organizations operate the gaming activities.

Public on Participating in Gaming Activities

The most popular forms of gaming are ticket lotteries, in particular Lotto 6/49, which about 69% played in the past year. The chart that follows indicates the participation rates in other gaming activities, including a few that are not administered or regulated by the Commission, such as gambling at resort casinos (for example, those of Reno or Las Vegas), horse racing and Internet gambling.

Chart 1-1: Gaming Activity Participation and Expenditures

Game	Played in past year (all)	#Times played in past 4 weeks (players)	Average Amount spent in last month (players)
Any Lottery Ticket	69.1%	2.8	$ 19.38
Raffles	65.4%	0.6	$ 26.23
Sports Betting or Pools	14.7%	0.9	$ 26.62
Video Lotteries	14.0%	1.9	$ 109.38
Slot machines at a local casino	13.0%	1.7	$ 152.45
Bingo	10.9%	1.0	$ 80.14
Gambling at a resort casino	9.0%	0.9	$ 662.20
Pull-tabs	8.6%	1.0	$ 16.60
Table games at a local casino	5.7%	0.6	$ 222.53
Horse racing	4.8%	0.4	$ 59.83
Internet Gambling	0.2%	1.3	$ 55.00

Public on Problem Gambling

About half of Albertans believe problems associated with gambling in the province have increased over the past year and about half believe the problems have remained the same. While the public is concerned about the potential problems with gaming, most Albertans (79%) somewhat or completely agree it is up to each individual to be responsible for their own gambling behaviour.

Public on Gaming Facilities

The most important features in gaming facilities for a large majority of respondents are security and a clean, modern environment. Other features that also rated highly were spacious surroundings, convenient parking, easily-identifiable staff and non-smoking sections.

Views of Stakeholders

Stakeholders are those directly involved in the gaming industry, or indirectly involved through the services they provide or through some related experience or interest.

The views and perspectives of stakeholders were obtained during consultations in September and October 2000. As well, a representative survey of charities in the province and gaming workers was conducted.

Stakeholders on General Administration of Gaming

Stakeholders are generally satisfied with the way the Commission is regulating and controlling the gaming industry in the province. Many stakeholders, despite at times disagreeing with gaming policies of the Commission, felt the Commission acts professionally and with integrity.

Generally, stakeholders wanted some assurances regarding rules and limits for gaming, or for the Commission to have a "game plan" for the gaming industry. A few stakeholders expressed the view that policy decisions of the Commission for one gaming activity has impacts on other gaming activities and that such impacts should be kept in mind when making decisions or considering long-term policy strategies for gaming activities. For example, the bingo industry feels it competes with other gaming activities, in particular casinos, which are believed to be drawing away bingo players.

The majority of stakeholders believe the Commission has been doing a good job balancing growth and social responsibility. Even so, a few stakeholders felt an organization such as the Commission, that is generating significant revenue from gaming, is bound to be biased in its regulatory role.

Stakeholders on Availability of Gaming

Opinions varied about how widely available gaming activities should be in the province.

A number of stakeholders felt the marketplace would determine the limit of growth for gaming activities, or decide the capacity for more gaming facilities. A view expressed was that placing caps on gaming activities will not stop people with disposable income from participating in gaming activities. Some industry stakeholders felt there is room for carefully planned expansion of facilities and games under the existing rules.

A few stakeholders believe electronic games have growth potential. Some stakeholders expressed the view that VLTs should be in casinos to reduce their accessibility.

Most charities and gaming industry (casino and bingo) workers want the level of availability of gaming activities to remain the same. Most charities and gaming workers expressed the view that increasing availability of gaming activities will create more problems than it is worth. They also believe that the demand for gaming in the province is growing.

Just under half of the charities and gaming workers surveyed indicated VLTs should be less available, consistent with the percentage of adult Albertans who feel the same way about this gaming activity. This was the highest response to reduce availability of an existing gaming activity.

A few stakeholders felt decisions related to the growth of gaming should await the outcome of research into the social and economic costs of gaming.

Stakeholders on Regulation, Enforcement

Generally, stakeholders feel the Commission has done a good job in regulating the industry. They feel access to gaming is well controlled and regulated.

Police service representatives generally indicated that they did not have resources to focus on gaming-related criminal activity, and would be open to operating jointly with the Commission in this regard.

Some members of the bingo industry felt that bingo is overly controlled and regulated. It was felt that bingo halls are entertainment centres and should be allowed to offer players a diversity of games with fewer restrictions, and that regulations should not be designed to protect weak bingo associations.

Stakeholders on Gaming Revenue

Some industry stakeholders felt that having VLT revenues go directly to charities rather than to the Alberta Lottery Fund would garner more support for VLT gaming. It was felt, using this approach, the public would have a better idea of how the revenues would be used and benefit the community.

Some stakeholders felt that there should be more equitable access of rural communities and small municipalities to the proceeds from gaming.

Stakeholders on Use of Proceeds

More than half of the surveyed charities and gaming workers (casino and bingo) believe that more money be spent to inform Albertans about proceeds, consistent with the views of Albertans in general. A number of stakeholders felt more could be done to educate and inform Albertans about the benefits derived from gaming revenues.

Stakeholders on the Charitable Gaming Model

Stakeholders strongly support the province's charitable gaming model for bingo, casinos, raffles (charitable lotteries) and pull ticket sales. The charitable gaming model is viewed by most as a cornerstone of the provincial gaming landscape that must be maintained.

Stakeholders on Eligibility for Charitable Gaming Licences (Access to Proceeds)

A number of stakeholders felt the eligibility of charities for charitable gaming licences in general should be carefully reviewed. Ensuring that charities get equitable access to proceeds was viewed as a challenge for the Commission. A few stakeholders felt some groups continue to be issued charitable gaming licences whereas other groups felt to be more deserving, have not been able to obtain a licence. Some stakeholders suggested that, without a way to measure the performance of charities, groups that do little work of proven value may obtain the same amount of proceeds as groups doing great work in the community.

Stakeholders on Fairness and Consistency

A recurring theme among many stakeholders is the importance of applying gaming policies consistently. A common view among shareholders is that any First Nations casinos that are developed should have the same rules as other casinos.

Members of the bingo industry in particular expressed the view that bingo has not been treated fairly when considering the number of new casinos, VLTs and slots the Commission has approved. They believe they have not had the same opportunities to compete in the gaming market as those involved with other gaming activities.

Stakeholders on Consultation and Communications

Many stakeholders appreciated the opportunity to provide their views and perspectives during the Gaming Licensing Policy Review. Most feel ongoing consultation is valuable and important.

Fewer than half of the charities and workers surveyed believe they or the industry have had input into gaming policies.

A few stakeholders expressed the view public consultation is needed prior to any expansion of gaming.

Stakeholders on Research

A number of stakeholders indicated they would like to have a better handle on the impact or cost

of gaming in the province. A few expressed the view that striking the right balance between social responsibility and growth means having information and a full cost benefit analysis, which may well take years to obtain. Generally, few stakeholders were aware the Alberta Gaming Research Institute was established to examine social and economic issues.

Stakeholders on Problem Gambling

A number of stakeholders felt more resources could or should be applied to address problem gambling, including prevention, treatment, education, and informing Albertans about being responsible when gambling. Some gaming industry members felt more could be done to communicate how the Commission and industry are addressing the issue of problem gambling.

A few stakeholders felt the negative impacts of gaming have grown significantly in the past decade and more information is needed about the extent of gambling problems.

Some suggestions were provided to address problem gambling. For example, it was suggested money should be less accessible through cash machines to gamble in VLT locations and casinos. Another suggestion was to have an integrated approach to problem gambling treatment that includes issues or problems related to First Nations, due in particular to the on-reserve casinos that are expected to be developed in the future.

How Views and Perspectives were Gathered

Public views were gathered through a representative telephone survey conducted with a random sample of adult Albertans by an independent research company in June 2000. Key objectives were to measure the awareness, knowledge, perception, attitudes and behaviours of players and non-players regarding gambling.

The views and comments of stakeholder groups were gathered through telephone surveys, facilitated discussions and executive interviews. In September 2000, an independent research company conducted a telephone survey with a random sample of key representatives (presidents, chairpersons, directors, etc.) of charitable organizations drawn from the entire cross-section of charities in Alberta. Industry workers were also surveyed. Key objectives were to measure the awareness, knowledge, perception and attitudes of charitable groups and industry workers towards gambling.

During September and October 2000, a series of facilitated discussions and executive interviews were conducted with gaming industry stakeholder groups throughout Alberta. These were to obtain stakeholder views and perspectives on gaming in general as well as specific matters pertaining to gaming activities in which they are directly involved.

Table 1-1: Summary of Stakeholder Groups Consulted, Methodology and Date Completed

STAKEHOLDER	WHO WE CONSULTED	HOW WE CONSULTED THEM	COMPLETED
Public	▪ 1530 adults	▪ Telephone Survey	▪ June 2000
Charitable Organizations	▪ 452	▪ Telephone Survey	▪ September 2000

STAKEHOLDER	WHO WE CONSULTED	HOW WE CONSULTED THEM	COMPLETED
Industry Workers	▪ 300	▪ Telephone Survey	▪ September 2000
Community Bingo Licensees	▪ 150	▪ Telephone Survey	▪ September 2000
Gaming Industry	▪ Alberta Bingo Hall Managers Association ▪ Registered Casino Advisors Association ▪ Federation of Alberta Bingo Association ▪ Alberta Gaming Industry Association ▪ Alberta Hotel and Lodging Association ▪ Alberta Restaurant & Food Services Association ▪ Alberta Racing Corporation ▪ Ticket Retailers (4 groups) ▪ VLT Retailers (4 groups) ▪ Casino Operators (2 groups) ▪ Casino Applicants (2 groups)	▪ Facilitated Group Discussion ▪ Facilitated Group Discussion ▪ Executive Interview ▪ Executive Interview ▪ Executive Interview ▪ Executive Interview with AGIA ▪ Executive Interview ▪ Facilitated Group Discussion ▪ Facilitated Group Discussion ▪ Facilitated Group Discussion ▪ Executive Interviews	▪ October 2000
Agricultural Organizations	▪ Calgary Stampede and Exhibition Association ▪ Edmonton Northlands ▪ Camrose ▪ Grande Prairie ▪ Stony Plain ▪ Lethbridge	▪ Executive Interviews	▪ October 2000
Government or Public Services	▪ Alberta Association of Municipal Districts and Counties ▪ Municipalities: Calgary, Edmonton, Grand Prairie & Red Deer ▪ Police Services: Edmonton, RCMP, Calgary, Lethbridge, Medicine Hat ▪ AADAC ▪ Alberta Justice	▪ Executive Interviews	▪ October 2000
Advocacy or Service Group	▪ Salvation Army ▪ Canada West Foundation ▪ Canadian Compulsive Gamblers Foundation	▪ Executive Interviews	▪ October 2000
First Nations	▪ Alberta First Nations Gaming Association (45 Nations)	▪ Government Main Table	▪ December 2000

Highlights of the Recommendations

Sixty-one recommendations are made and address a number of different policy issues related to the growth of gaming activities. Following are some of the highlights of those recommendations. The specific recommendations follow these highlights.

Affirming the Guiding Principles for Gaming

Public Views

Albertans want the government to follow guiding principles for lotteries and gaming that recognize and address the social impact of gaming. At the Lotteries and Gaming Summit '98, many participants believed, "citizens want to see a well regulated industry that is properly restrained." The summit recommended: "That the Guiding Principles for lotteries and gaming in Alberta adopted by the provincial government be updated, upgraded, accepted, and adhered to." The provincial government accepted this recommendation in principle.

Background

The Commission has adopted guiding principles that reflect the views and issues raised by participants at the 1998 summit. These guiding principles are currently dispersed in various documents of the Commission and Ministry of Gaming, such as their business plans, annual reports, annual Charitable Gaming in Review reports, and website.

Albertans and stakeholders want the general rules for gaming activities to be clearly spelled out and followed by the government.

Summary of Recommendations

- **A consolidated set of Guiding Principles for Gaming in Alberta should be formally adopted or affirmed and made readily available to the public and stakeholders.**

For the guiding principles and specific recommendations refer to "Gaming in General" which appears on page 1-27.

Expansion of Charitable Casino Facilities, Association Bingo Halls, Racing Entertainment Centres

Public and Stakeholder Views

Albertans want input into policies related to growth or expansion of gaming activities in their communities. They also indicated that the availability of casinos, bingo, and racing entertainment centres should remain the same.

Background

Permanent charitable casinos and association bingo halls are licensed gaming facilities. Racing

entertainment centres or RECs (slot machines at racetrack facilities), dependent on an amendment to the *Gaming and Liquor Regulation*, will also be licensed gaming facilities. Currently the slot machines at RECs are provided under an agreement between the REC operator and Commission.

Expansion refers to a new licensed gaming facility or REC in the community. It also includes the major relocation of an existing licensed gaming facility or REC (that is, to capture a new or different player base or market area), or the physical expansion of an existing licensed gaming facility or REC. Expansion does not refer to the relocation of a licensed gaming facility in close proximity to the existing location for purpose of attracting essentially the same player base or serving the same market area.

Community views will be instrumental in the process to approve licensed gaming facilities.

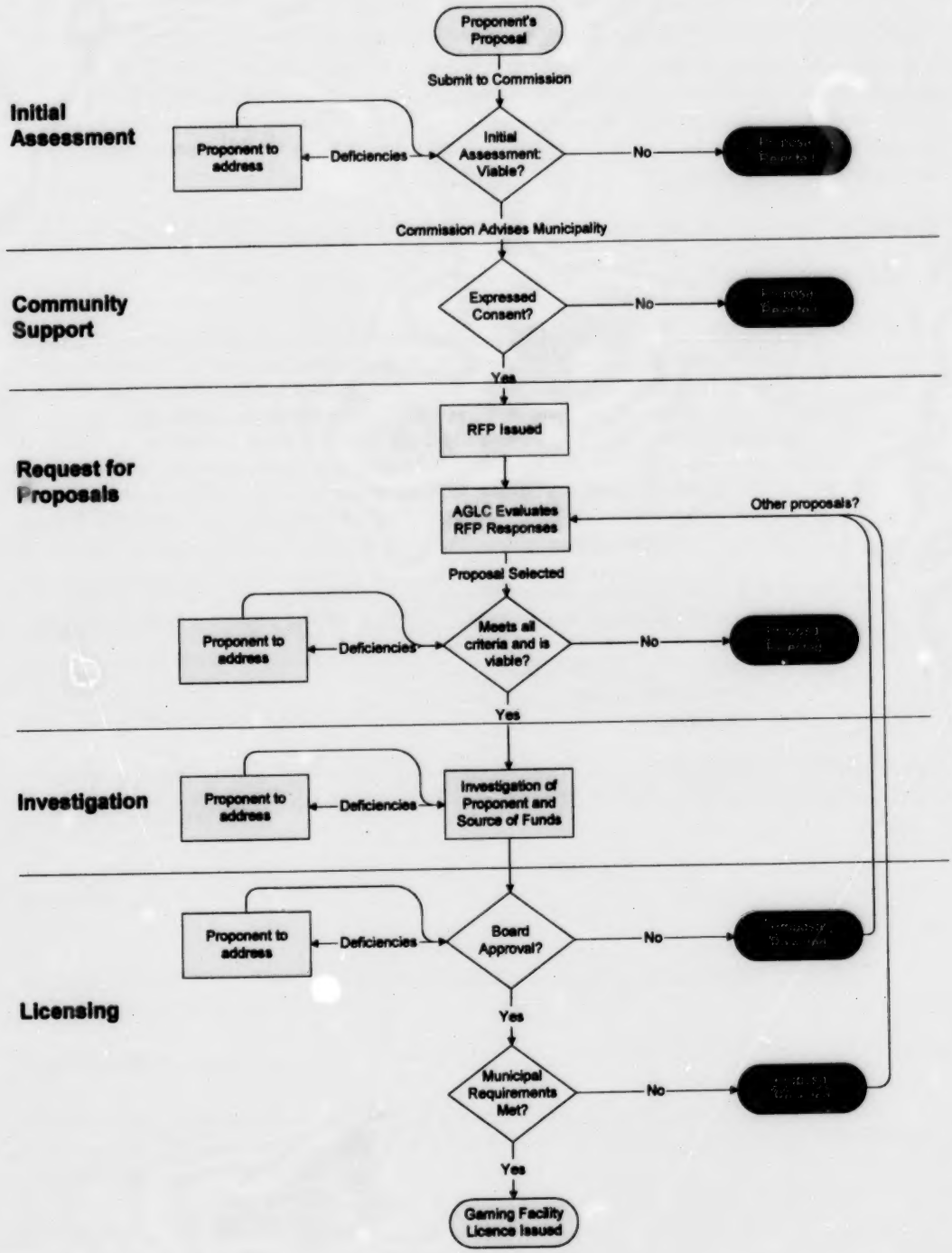
Summary of Recommendation for a New Licensed Gaming Facility or REC

- **The Commission will initially assess a proponent's proposal for a new licensed gaming facility to ensure it meets basic criteria related to market demand, benefits to charitable groups, and impact on other charitable gaming activities in the community. If the proposal has merit, the expressed consent of the community will be required before the Commission will give further consideration to the proposal. Expressed consent would be a resolution of municipal council in support of the new licensed gaming facility or, in the case of a proposed on-reserve casino, a band council resolution in support of the facility.**

- **Prior to final approval, a proposal for a new licensed gaming facility or REC that has received expressed consent should meet the requirements in each of the three key steps that follow, namely:**
  - **Request for Proposals**
  - **Investigation, and**
  - **Licensing.**

Figure 2 depicts the process to approve a new licensed gaming facility. See the recommendations under "Gaming in General" on page 1-28 for further details related to this recommendation.

Figure 2: Approval Process for New Licensed Gaming Facility



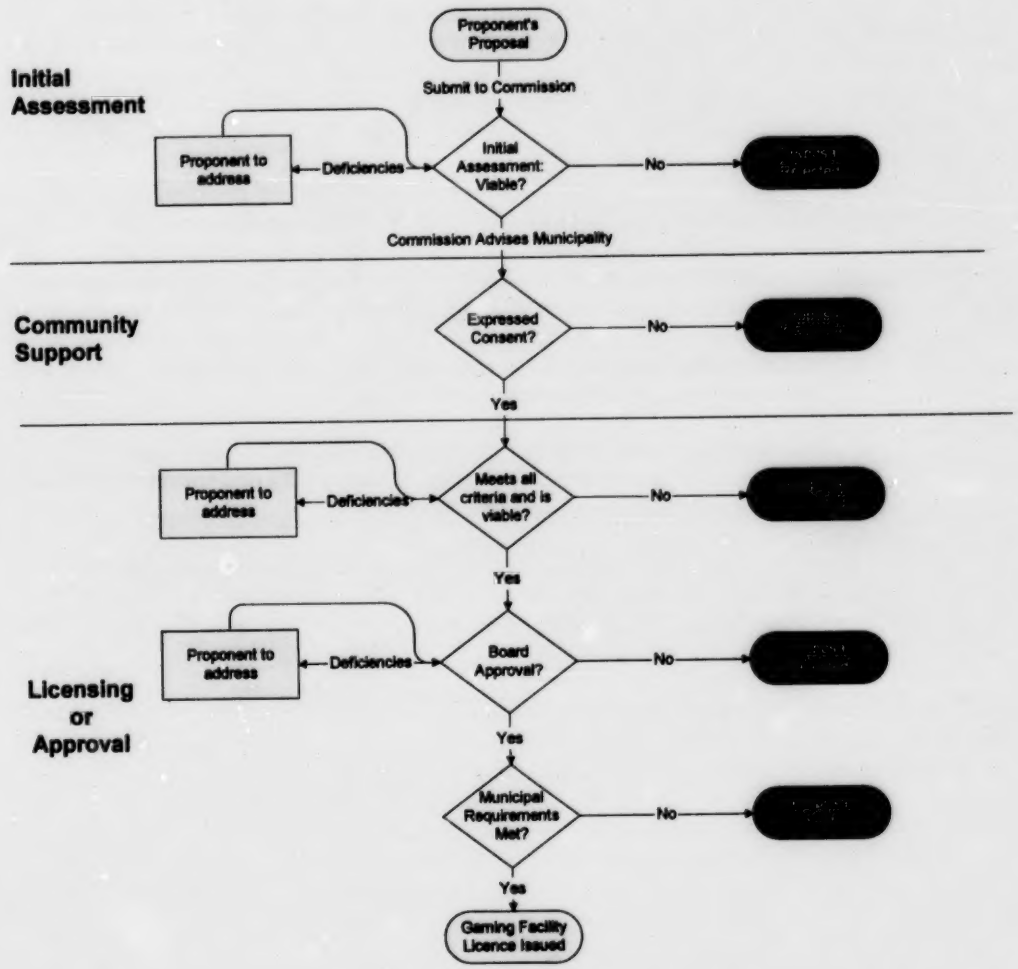
Summary of Recommendation for the Major Relocation or Expansion of an Existing Licensed Gaming Facility or REC

- **If a proposal for a major relocation or expansion of an existing licensed gaming facility or REC has merit based on an initial assessment by the Commission, the expressed consent of the community will be required *before* the Commission will give further consideration to the proposal.**

- **After expressed consent is received, the proposal for relocation or expansion should go through two additional steps before it may be approved, as follows:**
  - **Commission Review, and**
  - **Licensing**

Figure 3 depicts the approval process for the expansion or major relocation of an existing licensed gaming facility or REC. See the recommendations under "Gaming in General" on page 1-31 for further details about this recommendation.

Figure 3: Approval Process for Licensed Gaming Facility or REC Expansion or Major Relocation



Video Lottery Terminals

Public and Stakeholders Views

Slightly more than half of Albertans and stakeholders feel the availability of VLTs should remain the same. Just under half of Albertans want less VLT availability. The results of the VLT plebiscites across the province in October 1998 produced similar results—more communities voted to retain VLTs than to remove them—although in some cases by narrow margins.

Background

Most of the key VLT policies in effect today were in response to the Lotteries Review Committee's recommendations that were issued in August 1995.

For example, government accepted a recommendation to limit the maximum number of VLTs operating in the province to 6,000. That limit has been in effect since 1995.

The government accepted another recommendation, to allow only one licensed premises (bar or lounge) in a single facility to have VLTs. All the facilities that had more than one licensed premises with VLTs in 1995 were grandfathered, and given five years to comply with the policy, that is, until December 31, 2000. The full implementation of the policy was deferred pending the outcome of the Gaming Licensing Policy Review.

Summary of Recommendations

- **Maintain the current maximum number of VLTs in the province at 6,000.**
- **Reduce the number of bars and lounges with VLTs by 10 to 15% over the next three years through a number of strategies. The strategies include:**
    - **consolidating more VLTs in fewer bars and lounges throughout the province through performance monitoring, and**
    - **establishing "dedicated VLT gaming venues" with higher facility standards (to supplement the range of hospitality and tourism services available through these two industries).**
- **Any single facility in the province that currently has more than one bar or lounge with VLTs will have until December 31, 2002, to establish a dedicated VLT gaming venue in the facility. Otherwise, VLTs will be removed from all but one bar or lounge in the facility under the same time limitation.**

The specific recommendations and further explanation appear under the section "Video Lotteries" on page 1-51.

Association Bingo and Pull Ticket Sales - Greater Opportunities to Compete

Public and Stakeholder Views

Albertans generally view bingo and pull tickets as relatively harmless entertainments. Most would like to see the availability of both gaming activities remain the same. During the Lotteries and Gaming Summit '98, participants also felt that all gaming activities should be restricted to those of legal age.

Charities involved with the bingo industry have asked for a level playing field, so they can compete with other gaming activities, in particular casino gaming and nickel slot machines. They have requested electronic bingo and keno, both of which complement paper bingo, and more flexibility in the bingo games they may offer to players.

Charities involved with pull ticket sales have asked for additional opportunities. For example, the sale of pull tickets through mall kiosks and the use of pull ticket vending machines to more efficiently sell pull tickets to their customers.

Background

Over the past seven years bingo revenues have generally been in decline. When Satellite Bingo was introduced in 1996, revenues increased for two years. Since then they have begun to decline once more. A bingo industry review arrived at a number of recommendations to address a range of issues in bingo, including its viability. Two of the recommendations were related to the introduction of electronic bingo and keno to association bingo, but were deferred pending a review of the financial benefits and costs.

Pull ticket sales have experienced the sharpest decline in sales among all gaming activities. The charities, mainly service groups such as branches of the Legion, sell the pull tickets from the locations where they provide their services to the community. Due to declining sales, they have asked to be considered for other gaming devices, including VLTs, to help increase revenues. A few charities have been permitted to sell pull tickets from their information kiosks in shopping malls.

Summary of Recommendations

- **Give charities involved with association bingo and the sale of pull tickets new options to compete in the gaming industry and allow them to introduce more efficient ways of delivering their gaming activities to consumers.**
    - **Allow bingo associations to introduce into their halls both hand-held electronic bingo, which is regular bingo played through a computer, and rapid keno.**
    - **Allow bingo associations the opportunity to evolve toward a charitable model similar to that of the province's charitable casinos. That is, allow bingo associations:**
        - **the option to hire more paid staff to deliver gaming activities while continuing to require volunteers to fill key financial positions, and**

- **the option to have a private operator directly involved in delivering bingo to customers, to encourage higher facility and service standards; volunteers would be required to fill key financial positions.**

- **Prohibit minors from playing any bingo games in association bingo halls, which are commercial-style facilities dedicated to gaming. Minors should however continue to be allowed to serve as volunteers at the bingo events.**

- **Restrict access in bingo associations that introduce any electronic gaming, such as hand-held electronic bingo or rapid keno, to those of legal age (volunteers and players).**

- **Permit eligible charities to sell pull tickets from mall kiosks and, if viable, through the use of pull ticket vending machines.**

For further details about these recommendations related to bingo and pull ticket sales, refer to the recommendations under "Bingo" on page 1-39 and "Pull Tickets" on page 1-44.

Eligibility for Charitable Gaming Licences (Bingo, Casinos, Raffles and Pull Ticket Sales)

Public and Stakeholder Views

A number of stakeholders perceive that groups continue to receive charitable gaming licences even though they have outlived their purpose. Others feel some charities earn more from licensed charitable gaming than they need, while other groups which may benefit more members of the community, receive fewer opportunities to raise proceeds from gaming activities.

Background

There are two key requirements an organization must meet to obtain a charitable gaming licence. The first requirement is the organization must be a charity, as defined by the Commission for purposes of gaming. The second requirement is the proposed use of the gaming proceeds must be for allowable charitable or religious purposes, also as defined by the Commission. The Commission applies the provisions of the *Criminal Code* and refers to the common law in arriving at its definitions for both requirements.

Summary of Recommendations

- **More clearly and precisely define the eligibility rules for charitable gaming licences, both as to what constitutes a charity and the specific allowable uses for proceeds.**

- **Eligible charities should be given the option to obtain a one or two day casino event licence at a licensed casino facility.**

- **Require that proceeds from casino table games be pooled by city and divided accordingly** (to create a fairer distribution of revenue to charities that hold casino events in a city with two or more casinos).

For further detail and explanation about these recommendations, refer to the recommendations under "Gaming in General" on page 1-33 regarding eligibility rules and under "Casino Gaming (Table Games)" on page 1-42 regarding the casino recommendations.

Social Responsibility

Public and Stakeholder Views

The public expects the government to control and manage gaming activities in a socially responsible manner. This view was clearly stated at the Lotteries and Gaming Summit '98. Moreover, Albertans surveyed during the Gaming Licensing Policy Review generally feel problem gambling has increased over the past year, but also believe it is the responsibility of each individual to control their own gambling. The public expects the appropriate measures are being taken to address problem gambling.

Stakeholders generally recognize the need to deliver gaming activities in a socially-responsible manner. A number felt it is important to better communicate what the Commission and industry stakeholders are doing to address problem gambling.

Background

Albertans expect gaming activities to be delivered in a socially responsible manner. A number of the recommendations reflect this expectation. Through gaming regulations and policy, the Commission not only preserves the integrity of gaming activities, but also ensures social responsibility requirements are being met.

The Commission has worked closely with the Alberta Alcohol and Drug Abuse Commission (AADAC) to introduce measures or programs to address problem gambling. Among them, all gaming facilities or venues are required to post information about AADAC's problem gambling treatment and counselling services. Problem gambling awareness training has been provided to staff of casinos and VLT retailers. The Casino Voluntary Self-Exclusion Program was recently launched.

Social responsibility was considered throughout the development of recommendations. For example, recommendations include reducing the accessibility of VLTs and giving communities a more prominent role in the approval process for proposed new, relocated or expanded licensed gaming facilities.

Other recommendations in the area of social responsibility are made that affect a number or all gaming activities. They include the following.

Summary of Recommendations

- **Require that problem gambling awareness training be compulsory for all staff of licensed gaming facilities (charitable casino facilities and bingo association halls), dedicated gaming venues (such as racing entertainment centres and the recommended dedicated VLT gaming venues) and VLT retailers.**

- **Use new or existing gaming technology in a manner that supports socially-responsible gambling behaviour within all gaming venues. This would include incorporating proven responsible gaming features in electronic gaming devices such as VLTs and slot machines.**

- **The government must commit to ongoing funding of problem gambling initiatives.**

For further details refer to the recommendations under "Gaming in General" on page 1-28.

RECOMMENDATIONS

HOW THE RECOMMENDATIONS ARE STRUCTURED

The recommendations are divided into three parts, as follows:

- "General" - Recommendations related to a number or all gaming activities in the province as well as new games.
- "Charitable Gaming Activities"- Recommendations for each specific type of charitable gaming activity (bingo, casino gaming, pull tickets and raffles).
- "Provincial Lotteries" - Recommendations for each specific provincial lottery activity (slot machines, ticket lotteries, and video lotteries or VLTs) and for the use of the Internet for gaming

GENERAL

Recommendations related to a number or all gaming activities in the province as well as new games.

GAMING IN GENERAL

This section refers to policies that apply to a number or all gaming activities.

For example, some recommendations address issues related to growth across all gaming activities, both charitable gaming activities and provincial lotteries. They include recommendations related to:

- guiding principles for gaming;
- public interest, social responsibility;
- division of revenue;
- market research; and
- consultation and communications.

This section includes recommendations addressing the expansion of licensed gaming facilities.

Recommendations for each specific gaming activity (bingo, casino gaming, slot machines, etc.) are provided in the sections that follow this one.

Background to the Recommendations

Gaming has evolved in Canada from "...an activity socially tolerated only within narrow restraints to a broadly accepted leisure-time activity" (The Canadian Encyclopedia). Moreover, gaming has experienced dramatic changes throughout the world in the past 10 years. This coincides with the introduction of new technologies, which have permeated all aspects of life and commerce.

In Alberta, there continues to be strong demand by charitable gaming stakeholders to introduce or use electronic gaming technologies in their gaming activities. That includes hand-held electronic bingo (regular paper bingo played through a computer device) and the introduction of new types of electronic games such as rapid keno. The demand has been influenced largely by the belief that new technologies are the wave of the future, as shown by the demand for them by players. In this regard, bingo associations are requesting that proposed new provincial lotteries (hand-held electronic bingo and rapid keno) be introduced to their facilities alongside traditional paper bingo.

Under provisions of the *Criminal Code*, electronic gaming devices must be conducted and managed by the provincial government. The provincial government must also be the primary beneficiary of electronic gaming profits. In Alberta, electronic gaming revenue must be placed in the Alberta Lottery Fund.

Changing Trends in Gaming

The charitable demand and market preferences for charitable gaming activities and provincial lotteries, measured by the comparative revenues and proceeds generated by them, has changed over the past 30 years.

For example, in the 1970s, pull or break-open tickets and casinos generated most of the revenue among charitable gaming activities. In the mid 1980s, when commercial-style bingo (association bingo) became more popular, bingo generated more revenue than any other charitable gaming activity. Soon after they were introduced in the early 1990s, VLT revenue surpassed that of ticket lotteries and other gaming activities.

In the mid 1990s, casinos began to generate more proceeds than bingo as slot machines were introduced into casinos. Slot revenues also quickly surpassed that of ticket lotteries. Sales from bingo, pull tickets, ticket lotteries, and raffles have all experienced declines.[1] These gaming activities, as with any mature products or services in the marketplace, have their own life cycles based in part on their customer base, the force of changing demographics, and the introduction of new competing gaming activities and technologies.

Benefits and Costs of Gaming Activities

During the past three decades, the proceeds from charitable gaming and provincial lotteries have helped support many thousands of charitable, not-for-profit, public and community-based initiatives throughout the province. They have made significant contributions to the standard of living in the province.

Charitable gaming proceeds are earned directly by eligible charities for use in approved charitable or religious purposes.

Proceeds from provincial lotteries (slot machines, ticket lotteries and VLTs) are placed in the Alberta Lottery Fund. Disbursements from the Alberta Lottery Fund are authorized annually by the provincial legislature and administered by the Commission.

There also has been growing awareness of the potential and real problems associated with gaming. As research has become more available within the last seven years, greater attention has been paid to creating awareness among players of the potential negative affect of gaming on their lives.

The need for more and better research was identified at the Lotteries and Gaming Summit '98. In the summit report it was recommended: "... the provincial government dedicate more resources to gaming research in areas like the prevention and treatment of problem gambling, the social impacts of lotteries and gaming, native gaming issues, and emergent gaming activities."

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[1] Since then, raffle ticket sales have rebounded, particularly with the introduction of large-scale raffles that offer total prize packages worth millions of dollars.

The government accepted the recommendation and in response established the Alberta Gaming Research Institute on November 26, 1999. The institute, funded by the Alberta Lottery Fund, is a consortium comprising the University of Alberta, the University of Calgary and the University of Lethbridge.

Guiding Principles and General Directions

A number of guiding principles have been adopted by the Commission which apply to all gaming activities, both charitable gaming activities and provincial lotteries. They are identified in the first recommendation of this section. Those guiding principles are dispersed in various documents. These documents include the business plans and annual reports of the Commission and the Ministry of Gaming, and the annual *Charitable Gaming in Alberta* review document of the Commission.

General policies have also been adopted by the Commission which apply exclusively to charitable gaming activities (bingo, casinos, pull tickets and raffles). They include the following:

- The province is committed to maintaining the charitable gaming model, which allows qualified charitable groups to conduct and manage bingos, casinos, raffles and pull tickets.
- The financial return to charities from gaming activities will be maximized for the benefit of charitable and religious groups, the programs or activities they deliver and the communities in which those programs or activities are undertaken.
- There should be fair and equitable access to charitable gaming licences by qualified groups.

The general policies that apply to provincial lotteries (ticket lotteries, slot machines, and VLTs) are the following:

- All proceeds from provincial lotteries are placed in the Alberta Lottery Fund and used to support specific charitable, not-for-profit, public and community-based initiatives and projects.
- There will be full public disclosure of all activities related to the Alberta Lottery Fund.
- The Commission will be a responsible steward of the assets entrusted to it on behalf of the provincial government. That is, the assets must be maintained effectively and efficiently, and return the greatest possible benefit for Albertans.

Primary Issues

The Commission is obliged to address the requests it receives for the growth or expansion of licensed gaming facilities. Such requests are submitted by charitable organizations, First Nations, private service providers, and by those who wish to become involved in the gaming industry in the province.

What considerations should be made to address issues related to the growth in gaming activities while ensuring the effective and socially-responsible management and control of gaming activities?

A key consideration is the majority of Albertans, when asked about specific gaming activities, generally feel the availability of gaming activities should remain the same. A smaller number

have indicated the level should increase, while others feel that there should be less availability.

Albertans also expect the government to control the growth of gaming activities, ensure the integrity of gaming activities, and manage gaming activities in a socially-responsible manner.

The majority of Albertans support the use of proceeds from gaming activities for charitable, not-for-profit, public and community-based initiatives throughout the province. However, most Albertans indicated they were unaware of the use of Alberta Lottery Fund proceeds and felt more should be done to increase awareness.

Players are key stakeholders who support charitable activities by participating in gaming activities. Those who choose to engage in gaming activities in the province have indicated their preference for safe, clean and modern gaming environments.

The Commission has adopted a guiding principle that gaming will be a quality entertainment experience for players, aimed at maintaining the integrity of gaming activities and helping to keep gaming dollars in the province.

Recommendations

GAMING IN GENERAL - GUIDING PRINCIPLES

GENERAL RECOMMENDATION - 1

- **Formally adopt a consolidated set of Guiding Principles for Gaming in Alberta** (based on the draft guiding principles that were developed and adopted by the Commission in response to a recommendation of the Lotteries and Gaming Summit '98).

The recommended Guiding Principles for Gaming in Alberta are listed below:

1. **The integrity of gaming will be ensured.**
2. **Gaming policies will reflect a commitment to social responsibility.**
3. **The financial return to eligible groups from charitable gaming is to be maximized for the benefit of charitable and religious groups, the programs or activities they deliver and the communities in which those programs are undertaken.**
4. **Gaming policies will be supported by sound research and consultation with the public and stakeholders.**
5. **The collection and use of gaming revenue will be open and accountable.**
6. **Gaming activities will meet standards of quality to protect the integrity of gaming activities, provide gaming entertainment value to consumers and help to keep gaming dollars in Alberta.**
7. **The guiding principles for gaming will be subject to review, to**

ensure they reflect Albertans' wishes.

GENERAL RECOMMENDATION - 2

- **Develop and implement a communications strategy to inform the public and stakeholders of the guiding principles by which gaming activities are administered and regulated.**

GAMING IN GENERAL - SOCIAL RESPONSIBILITY

The following recommendations apply generally to the delivery of gaming activities. Refer to recommendations for specific gaming activities that also directly or indirectly address matters or issues of social responsibility.

GENERAL RECOMMENDATION - 3

- **Require that problem gambling awareness training – developed and delivered by AADAC or other qualified organizations in cooperation with the Commission – be compulsory for staff of licensed gaming facilities, dedicated gaming venues, and VLT retailers.**

GENERAL RECOMMENDATION - 4

- **The government must commit to the ongoing funding of problem gambling initiatives.**

GENERAL RECOMMENDATION - 5

- **Use new or existing technology in a manner that supports socially-responsible gaming behaviour within gaming venues** (includes incorporating proven responsible gaming features in electronic gaming devices such as VLTs and slot machines).

GAMING IN GENERAL - PUBLIC INTEREST

GENERAL RECOMMENDATION - 6

- **Develop and implement a communications strategy to increase awareness of the use of Alberta Lottery Fund proceeds.**

GAMING IN GENERAL - EXPANSION OF LICENSED GAMING FACILITIES

GENERAL RECOMMENDATION - 7

- **Approvals for a new licensed gaming facility** (charitable casino facility, licensed bingo facility and, in the future, racing entertainment centre) **will involve five major steps, as follows:**

  Step One - Initial Assessment

  The Commission will initially assess a proponent's proposal for a new licensed gaming facility to ensure it meets basic criteria related to market demand, benefits to charitable groups, and impact on other charitable gaming activities in the community. If the proposal has merit, the Commission will advise the municipality, or band council in the case of a proposed on-reserve casino, about the proposed facility and the Commission's review/approval process for new licensed gaming facilities.

Step Two - Community Support

Community support, through expressed consent, is required to initiate the next step in the approval process. Expressed consent would be a resolution of municipal council in support of the new facility or, in the case of a proposed on-reserve casino, a band council resolution in support of the facility.

Step Three - Request for Proposals (RFP)

To obtain the best possible proposal, the Commission will issue a request for proposals (RFP) for a new licensed gaming facility in a community if the requirements of the previous two steps are met. The RFP will be based on transparent, specific and stringent standards and criteria. (Proposals for First Nations' on-reserve casinos would be exempt from the RFP process as the decision for the development of reserve land rests with the First Nation and the First Nation, in effect, is the proponent for an on-reserve casino.)

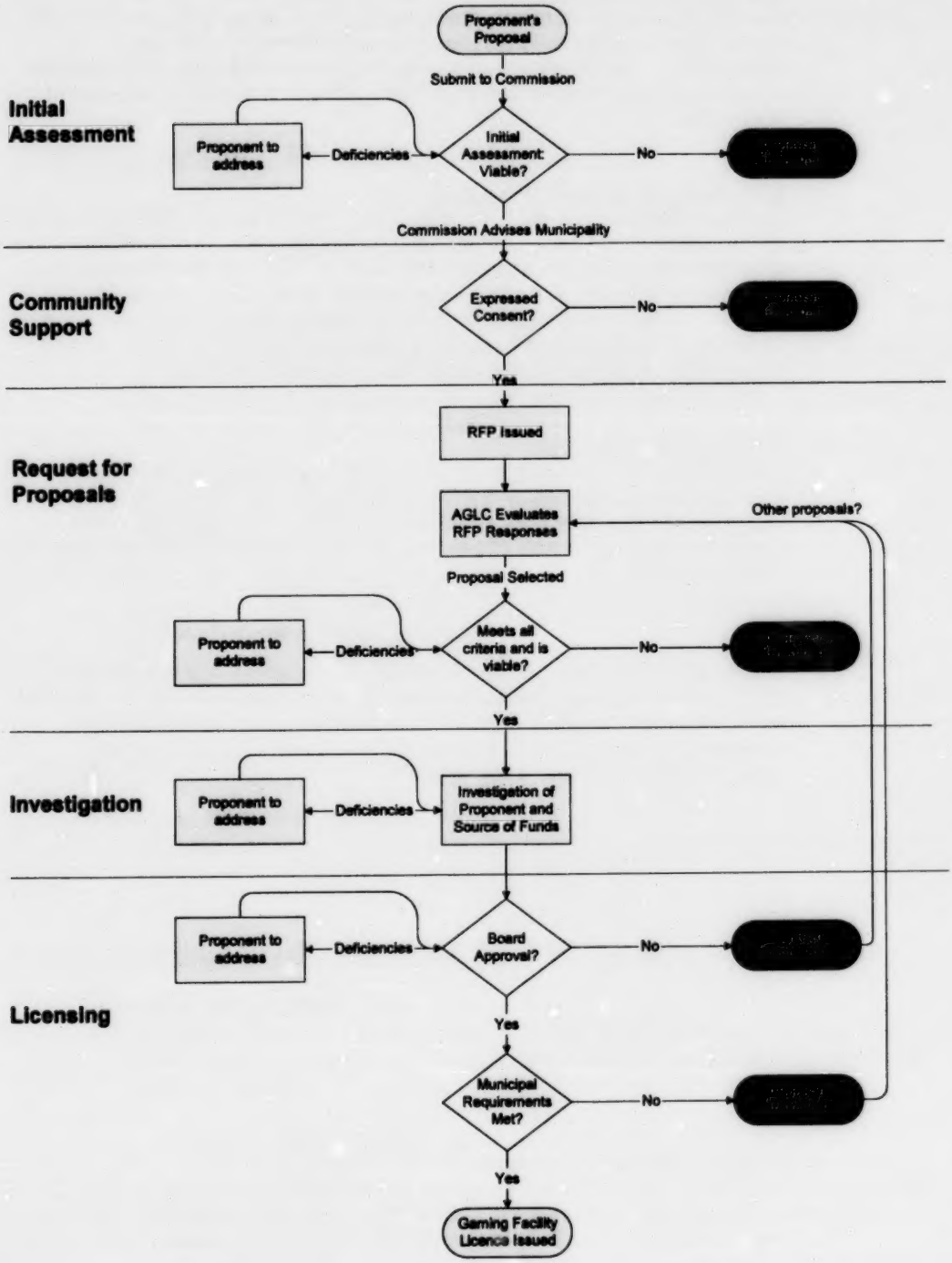
Step Four - Investigation

The Commission will conduct an investigation into the proponents and other key persons associated with the best proposal. The investigation is to ensure criminal interests, or those who would be a detriment to the integrity or lawful conduct of gaming, do not become involved with gaming in the province.

Step Five - Licensing

The Board of the Commission will review the proposal and results of the investigation following from Step Four. If all the requirements for a gaming facility are met, including legislative, regulatory, policy and municipal requirements, then a facility licence will be issued to the successful applicant with the Board's approval.

Figure 2: Approval Process for New Licensed Gaming Facility



GENERAL RECOMMENDATION - 8

- **The approval process of the expansion or major relocation of an existing licensed gaming facility in a community will be subject to the following three major steps:**

Step One – Initial Assessment

- **The Commission will initially assess the proposal of an existing facility licensee or REC operator for major relocation or expansion of an existing casino, association bingo hall or racing entertainment centre.** (Major relocation means relocation of an existing facility for purposes of capturing a new or different player base or market. It does not refer to the relocation of a licensed gaming facility in close proximity to the existing location for purpose of attracting essentially the same player base or serving the same market area. Expansion means a physical expansion of an existing gaming facility.) **The assessment is to determine whether the major relocation or expansion meets basic criteria related to market demand, benefits to charitable groups, and impact on other charitable gaming activities in the community. If the proposal has merit, the Commission will advise the local municipality or band council, as the case may be, about the proposed major relocation or expansion and the Commission's review/approval process related to it.**

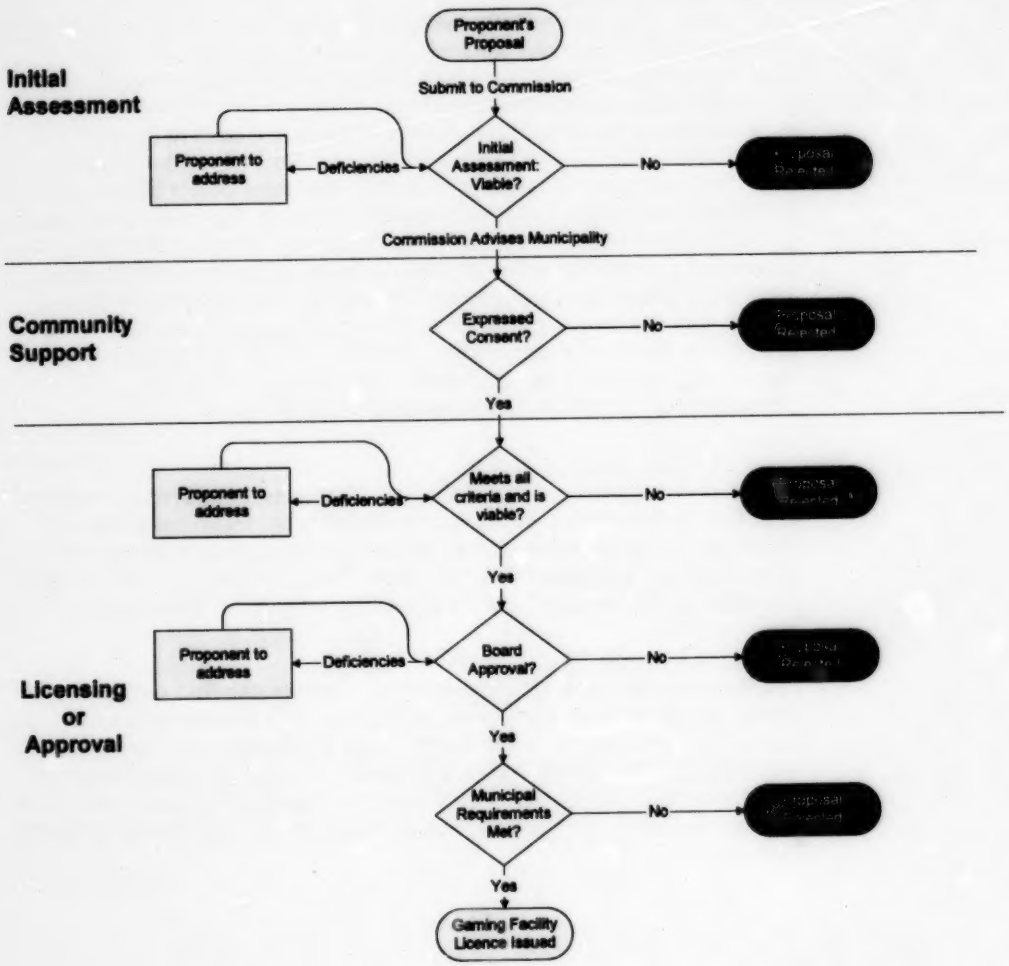
Step Two - Community Support

- **Community support, provided through expressed consent, is required to initiate the next step in the approval process. Expressed consent would be a resolution of municipal council in support of the major relocation or expansion or, in the case of an on-reserve casino, a band council resolution in support of the major relocation or expansion.**

Step Three - Licensing or Approval

- **The Board of the Commission will review the expansion or major relocation proposal for the existing facility. The Board will approve the expansion or major relocation if the facility licensee has met all the requirements, including legislative, policy, regulatory and municipal requirements. In the case of an approved major relocation, a new gaming facility licence will be issued to the proponent (existing facility licensee).**

Figure 3: Approval Process for Licensed Gaming Facility Expansion or Major Relocation



GAMING IN GENERAL - ELIGIBILITY FOR CHARITABLE GAMING LICENCES

GENERAL RECOMMENDATION - 9

- **Ensure the policies that define what a charity is for purposes of charitable gaming in Alberta are clear and precise (within the parameters of the *Criminal Code* and common law).**

GENERAL RECOMMENDATION - 10

- **Ensure the policies regarding allowed and disallowed uses of charitable gaming proceeds are clear and precise (within the parameters of the Criminal Code and common law).**

GENERAL RECOMMENDATION - 11

- **As part of the licence application, require charities to provide a community benefit statement.**

GENERAL RECOMMENDATION - 12

- **Develop and implement a proactive orientation program for the volunteer executive of charitable organizations interested in obtaining a gaming licence** (so they may clearly understand eligibility requirements for gaming licences and the allowed use of proceeds, as well as the obligations of charitable organizations in conducting gaming activities).

GAMING IN GENERAL - DIVISION OF REVENUE

GENERAL RECOMMENDATION - 13

- **Review the expenses of service providers on a regular, ongoing basis as required. The review is to ensure the expenses are fair and reasonable—that they reflect the value of service and space provided—and that ultimately the primary beneficiaries are charitable, non-profit, public and community-based initiatives.**

GAMING IN GENERAL - MARKET RESEARCH

GENERAL RECOMMENDATION - 14

- **Regularly conduct player/public gaming attitude, perception and market research** (as a tool for the effective management of gaming activities in the province).

GAMING IN GENERAL - CONSULTATION AND COMMUNICATIONS

GENERAL RECOMMENDATION - 15

- **Develop a proactive consultation strategy to effectively consult with stakeholders on a regular basis.**

NEW GAMES

Background to the Recommendations

This section refers to the following:

- *New games considered for introduction to the province* - includes gaming activities that possess features or methods of delivery that are deemed to be significantly different from the features or methods of delivery of gaming activities currently available in the province.

- *New games considered for introduction to licensed gaming facilities or other locations where gaming activities are available* – includes gaming activities that are currently available in the province but proposed for introduction to locations or venues where they were unavailable previously (for example, pull tickets sales before they were introduced to association bingo halls).

Specific examples of new games would include:

- An entirely new gaming activity (for example, the dice game 'craps' before it was authorized in casinos in 2000);
- The use of a new technology or medium for an existing gaming activity (for example, electronic bingo consoles, pull ticket vending machines for sale of pull tickets, instant ticket lottery vending machines for sale of instant lottery tickets and the use of the computer to access or deliver gaming activities[1]).

New games do not include minor variations of existing technologies or gaming activities. The following, among others, would *not* be considered new games:

- A new theme for a slot machine, that is, the exterior appearance and complementary slot games provided;
- A new ticket lottery game, for example, new Scratch 'n Win ticket; and
- A new variation of an approved card game to a casino facility, for example, another variation of blackjack.

From time to time the Commission receives proposals for new games from charitable groups, facility operators, and others. Suppliers who wish to bring their products into the province sometimes approach those groups or operators. In turn the charities and operators will approach the Commission to consider authorizing the new games.

[1] Refer to the section "The Use of the Internet for Gaming" on page 1-52 for a discussion of that topic.

Primary Issues

A well-defined policy and related procedures are required to properly, consistently and effectively manage new gaming activities in the province, particularly if requests for new games become more frequent in the future. A comprehensive analysis is required of proposals for new games to determine how a new gaming activity may complement or impact existing activities, its operating costs, and whether it generates an appropriate return to charities, non-profit and public initiatives.

Generally, Albertans feel the current availability of gaming activities in the province should remain the same. Many feel certain new gaming activities such as hand-held electronic bingo or rapid keno, if they were to be available, belong in venues dedicated to gaming activities, such as licensed casino facilities, licensed bingo facilities, or race tracks.

Some stakeholders support the introduction of new types of gaming activities. Various groups involved in charitable gaming activities, such as association bingo, want to introduce new types of electronic gaming activities to their facilities to compete with those offered in other gaming venues, such as nickel slots in casinos.

Recommendations

NEW GAMES

NEW GAMES RECOMMENDATION - 1

- **The approval process for a new gaming activity should involve four major steps, as follows:**

  Step One – Initial Assessment

  The proponent of a new gaming activity must provide to the Commission a proposal, including a business plan and other required information (such as the impact of the proposed new game on other existing gaming activities, and benefits to be derived for charitable, non-profit, public or community-based initiatives), **which will allow the Commission to arrive at a sound preliminary assessment related to the viability of the proposed new game. If the new game has merit, the next step will be initiated.**

  Step Two - Obtaining Community Views

  The Commission will determine the type and extent of public input required regarding the proposed new game. Such input may range from public consultations or the expressed consent of a community to considering community objections. The decision in this regard will be affected, among other considerations, by the proposed new game, including its type, where it would be available, financial benefit/cost, and impact on existing gaming activities.

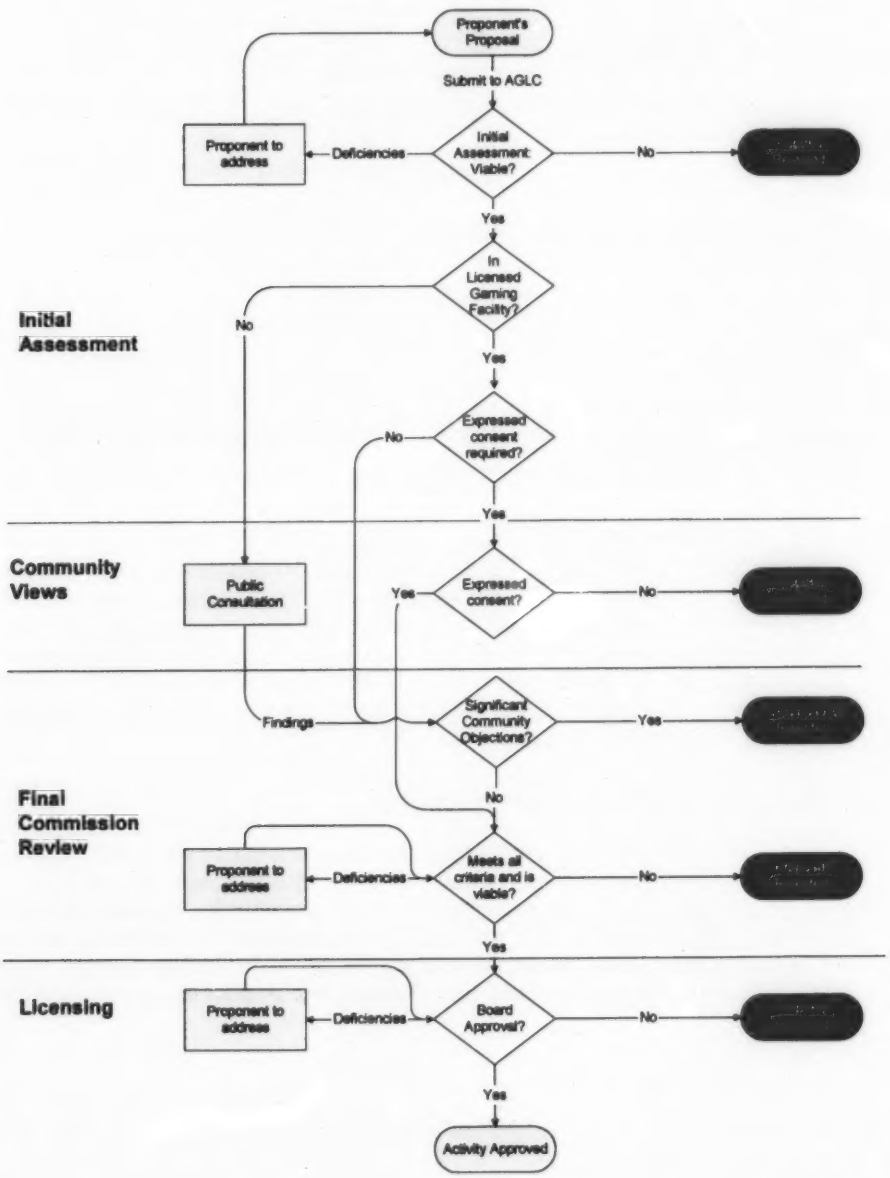
Step Three - Final Commission Review

The Commission will forward the proposal and results of its final review, including results from public input, for review and consideration by the Board of the Commission.

Step Four - Licensing

The Board of the Commission will consider the proposal and results of the Commission's review on their own merits. The new game will be authorized subject to the Board's approval.

Figure 4: Approval Process New Gaming Activities



NEW GAMES RECOMMENDATION - 2

- **An approved or licensed new gaming activity will be subject to the guiding principles for gaming activities in the province and to terms and conditions that are consistent with those for other gaming activities.**

CHARITABLE GAMING ACTIVITIES

Charitable gaming refers to bingo, casino gaming, pull tickets and raffles (charitable lotteries).

BINGO

Background to the Recommendations

Close to 47,000 bingo events were held in communities across the province in 2000-01. These events generated gross revenues of more than $288 million. Licensed charitable and religious groups earned approximately $51.1 million from bingo.

Bingo is a lottery scheme under the *Criminal Code* of Canada. This federal legislation allows lottery schemes to be conducted and managed by charitable and religious groups under a licence issued by the provincial authority, if the proceeds are used for charitable or religious purposes.

In Alberta, bingo is a regulated form of charitable gaming under the *Gaming and Liquor Act* (Alberta) and *Gaming and Liquor Regulation* (Alberta). The Board of the Commission has established policies for the conduct and management of bingo by licensed charitable groups. The Commission issues bingo event licences to eligible charitable groups.

In Alberta, bingo is played in two types of halls:

(a) *Association bingo hall* - A licensed facility in which bingo may be held from four to seven days per week. The facility is licensed to an association, comprised of member charitable or religious groups, each of which is eligible for a bingo licence. The association coordinates bingo and, if applicable, pull ticket sales on behalf of its members, and hires staff to assist in operating, delivering and administering bingo events. An association may permit non-member groups to hold bingo in its facility if the group is eligible for a bingo licence from the Commission. There are 59 association bingo halls in the province.

(b) *Non-association or community hall* - A facility in which a charitable organization may hold bingo up to three days per week. Acceptable venues include church halls, community league halls, Legion halls, etc. Occasionally bingo has been licensed in other public places. Generally the bingo event is held by one charitable group from its own hall or rented facility. Approximately 540 licensees operate from their own halls.

About 90% of the revenues from bingo are generated from association bingo halls. The remainder (10%) is generated by community bingo halls.

Primary Bingo Issues

Albertans generally feel the availability of bingo should remain the same. They also view bingo to be a relatively harmless form of entertainment.

Despite the significant revenues generated by the bingo industry, revenues from bingo have decreased by 15% over the past four years. A general view among bingo industry stakeholders is that the industry has been in decline over the past five to 10 years even with the introduction of satellite bingo in 1996. While satellite bingo has boosted bingo revenues in the short term, it does not appear to have drawn more players to regular bingo games.

Bingo industry stakeholders have argued the playing field is not level for them, and feel the Commission's gaming policies should allow them to compete with other gaming activities, in particular those offered by casinos. For example, bingo association stakeholders have asked that electronic bingo, rapid keno and bingo slot machines be introduced to their facilities to compete with other electronic games, including nickel slot games in casinos.

To compete with casinos and to operate on a level playing field, as the bingo industry is requesting, it is being recommended the association bingo model should evolve more closely to the successful model for charitable casino gaming. Among other considerations, bingo associations should have the opportunity to hire more paid staff and involve private operators in the delivery of bingo while providing volunteers for key financial positions. How the bingo associations may respond to this or other opportunities recommended here would be left up to each association to decide. Some of the recommendations also apply in the same manner to community bingo.

Recommendations

BINGO - GENERAL PRINCIPLES

BINGO RECOMMENDATION - 1

- **Give bingo licensees the flexibility to develop unique, competitive bingo programs subject to the guiding principles for gaming and the requirement that charities obtain a guaranteed minimum return from bingo events.**

BINGO RECOMMENDATION - 2

- **Allow hand-held electronic bingo and rapid keno to be introduced as provincial lotteries to licensed bingo facilities as a way to generate additional proceeds for charities.**

BINGO RECOMMENDATION - 3

- **Allow licensed bingo facilities to introduce other electronic bingo gaming devices that offer bingo-theme games provided the devices are used to participate in the live bingo events. The introduction of these devices is subject to the new gaming activity approval process as recommended** (see New Games Recommendation – 1).

BINGO RECOMMENDATION - 4

- **Require a licensed bingo facility that offers electronic gaming devices with a bingo theme, other than hand-held electronic bingo and rapid keno, to meet specific, higher facility standards.**

BINGO RECOMMENDATION - 5

- **All eligible charities must be given equitable, fair access to bingo events (and the resulting proceeds) in a licensed bingo facility that offers an electronic gaming device that provides both electronic bingo and other bingo-theme games.** (This is to ensure that the proceeds from this provincial lottery are widely available to eligible groups).

BINGO RECOMMENDATION - 6

- **Allow bingo facility licensees the option of hiring additional staff to deliver a consistent level of service to bingo players. The licensed charities must continue to fill key (financial) positions in bingo and meet guaranteed minimum returns from bingo events as recommended** (see Bingo Recommendation –1).

BINGO RECOMMENDATION - 7

- **Allow bingo facility licensees the option of having a private operator become directly involved in delivering bingo to players, to encourage higher facility and service standards.**

BINGO RECOMMENDATION - 8

- **Different bingo facility licensees operating in the same region or market area are strongly encouraged to amalgamate operations in order to make better use of existing facilities, reduce expenses, and generate higher returns from bingo events.**

BINGO RECOMMENDATION - 9

- **Allow licensed bingo facilities that are age-controlled the option of obtaining a liquor licence** (consistent with the requirement for charitable casinos and other dedicated gaming venues).

BINGO - PUBLIC INTEREST, SOCIAL RESPONSIBILITY

BINGO RECOMMENDATION - 10

- **Prohibit minors, other than volunteers of a charity, from entering a licensed bingo facility.**

BINGO RECOMMENDATION - 11

- **Require that both players and volunteers be of legal age in licensed bingo facilities that introduce electronic gaming devices** (see Bingo recommendations 2 and 3).

BINGO - FINANCIAL CONTROLS AND SECURITY

BINGO RECOMMENDATION - 12

- **Test specific paid bingo staff for knowledge of bingo policy and procedures and establish minimum test score standards for registration as a gaming worker in Alberta.**

BINGO RECOMMENDATION - 13

- **Standardize and automate bingo financial reporting systems in association bingo through the use of an approved point of sale (POS) system.**

CASINO GAMING (Table Games)

Background to the Recommendations

Close to 2,700 casino event licences were issued to eligible charitable groups in 2000-01. Casino table games generated gross revenues of approximately $610 million, and returned $499 million in prizes to players. Charities received $34.3 million from casino gaming. Charitable groups that held casino events received an additional $52.4 million in commissions from slot machines.

Charities paid $77 million in expenses to casino facility operators, casino advisors, trustees, and others for their services related to table games.

Casino gaming (table games) are governed by the *Criminal Code* (Canada), the *Gaming and Liquor Act* (Alberta), and the *Gaming and Liquor Regulation* (Alberta). The Board of the Commission establishes policies related to the conduct and management of casino events.

In Alberta, casino gaming typically includes both table games (a charitable gaming activity) and slot machines (a provincial lottery) and is held in a facility licensed by the Commission.

In Alberta, charitable groups conduct and manage table games at casino events under a casino event licence issued to them by the Commission. The casino event licence authorizes an eligible charitable group to hold a casino event at a permanent, licensed casino facility or during a special occasion event, such as a major exhibition. The licensed organization is required to provide volunteers for various key positions during the casino event and to use the proceeds it earns for approved charitable or religious purposes. Charities receive a commission from slot machines: these proceeds are pooled by city and divided equally among the charities who held casino events.

The charitable model for casino gaming in Alberta is distinct from the casino model of a number of other provinces, in which casino gaming is conducted and managed by government through a crown agency and net revenues are allocated at the discretion of the government.

The casino facility may only operate under a casino event licence issued by the Commission to an eligible charitable or religious organization. Charitable volunteers have no direct role or involvement in the operation of slot machines during the casino event.

First Nations Gaming Policy

On January 19, 2001, the government approved a First Nations gaming policy that allows for on-reserve casinos to operate under the province's charitable gaming model for casinos. Under the policy, on-reserve casinos will be required to follow the terms and conditions established for all other charitable casinos in the province.

Primary Issues

The First Nations gaming policy must be taken into account when any consideration is given to the expansion of casino gaming or facilities in the province.

Stakeholders feel strongly that all casino gaming be conducted and managed within the province's charitable gaming model and the rules for casino gaming must be consistently applied among all casinos in the province.

Another issue regarding casinos results from their popularity as a fundraiser for charitable groups. The return to charities from each two-day casino event held in a licensed casino facility has increased dramatically since 1997. In the last quarter of 2000-01, the average proceeds earned per charity for a two-day event in Edmonton casinos, including commissions from slot machines, ranged from $38,000 to $55,000, and in the Calgary casinos from $21,000 to $60,000. Charities in other regional casinos earned proceeds that ranged from $2,800 to $19,800.

In addition, the demand by charities for casino event licences continues to grow. As a result of the demand, charities must wait for at least 12 months to hold a casino event in a permanent casino facility after being approved for a casino event licence. The wait time for casinos in the larger centres is longer, with the longest waiting period being approximately 29 months.

Recommendations

CASINO - ELIGIBILITY, USE OF PROCEEDS

CASINO RECOMMENDATION - 1

- **Give eligible charities the option of receiving a one or two day casino event licence** (corresponding to the financial requirements of each charitable group; wait times for eligible groups may be reduced).

CASINO - ENFORCEMENT, SECURITY, FINANCIAL CONTROLS

CASINO RECOMMENDATION - 2

- **Enhance the internal operating standards and controls for casinos to ensure the continued smooth operation of casino facilities in the province.**

CASINO RECOMMENDATION - 3

- **Require the casino advisors hired by charities to help conduct casino events be independent and not hired from or be affiliated with casino facility operators.**

CASINO RECOMMENDATION - 4

- **Establish a closer working relationship with police services in addressing gaming-related crime and provide resources to address this issue.**

CASINO RECOMMENDATION - 5

- **Review the authority, mandate and jurisdiction of the Commission to enforce gaming legislation in unlicensed premises.**

CASINO - REVENUE DIVISION

CASINO RECOMMENDATION - 6

- **Require that charitable proceeds from casino table games be pooled by city and divided accordingly** (consistent with the pooling of slot revenue (commissions) by city; this creates a fairer distribution of proceeds to charities that hold casino events in a city with two or more casinos).

PULL TICKETS

Background to the Recommendations

The sale of pull tickets generated an estimated $41.4 million in gross revenue in 2000-01. Charities earned an estimated $8.4 million in proceeds from pull tickets, or about 20% of gross revenue or sales. The balance of the revenue was used to cover prizes and expenses.

Pull tickets are cardboard tickets that have several perforated covers which conceal symbols. Players pull or break open the perforated covers to reveal the game outcome. Pull tickets are sometimes referred to as break-open or Nevada tickets.

Pull ticket sales may only be conducted and managed by charitable or religious organizations licensed by the Commission.

Generally, groups that are licensed to sell pull tickets are required to sell them from the fixed premises where their services are provided to the community. Various veteran, fraternal, sport and community associations have been eligible for pull ticket licences because they meet this requirement. The requirement is primarily aimed at ensuring a licensed group strictly control the sale of pull tickets and the security of pull ticket sales is protected.

In addition, while licensed charitable groups holding bingos in community halls have been allowed to sell pull tickets for some time, bingo associations more recently became eligible to sell pull tickets in their bingo halls to raise proceeds for the licensed charities holding bingos at the hall. On a limited basis, the Commission has also permitted certain charities to sell pull tickets from their program kiosks in a few malls throughout Alberta.

Pull ticket sales are governed under provisions of the *Criminal Code* (Canada), the *Alberta Gaming and Liquor Act* (Alberta) and the *Gaming and Liquor Regulation* (Alberta). The Board of the Commission establishes policies for the conduct and management of pull ticket sales in the province.

Primary Issues

Pull tickets are generally viewed as a relatively harmless form of entertainment. Consistent with their views about gaming activities in general, Albertans feel the availability of pull tickets is satisfactory, and do not call for more availability of pull tickets in the province. Even so, most Albertans also indicated they are unaware of where pull tickets are available. This may reflect part of a larger issue facing pull ticket sales.

Among charitable gaming activities, pull ticket sales have experienced the greatest decline in player participation rates over the past decade. Charitable groups involved with the sale of pull tickets expect the Commission will assist them to revitalize pull ticket sales. Some charitable groups have asked that pull ticket vending machines be permitted in their venues. Others have been authorized to sell pull tickets from mall kiosks.

Recommendations

PULL TICKETS - AVAILABILITY

PULL TICKETS RECOMMENDATION - 1

- **Permit eligible charities licensed by the Commission to sell pull tickets from mall kiosks located in the same community where their charitable programs are delivered** (as is now permitted on a limited basis).

PULL TICKETS RECOMMENDATION - 2

- **Evaluate the benefits and costs of permitting eligible charities to use pull ticket vending machines for the sale of pull tickets.**

PULL TICKETS RECOMMENDATION - 3

- **If the pull ticket vending machines are determined to be viable, following an evaluation as recommended, determine how the proceeds from them may be divided in a fair and reasonable manner** (as the primary beneficiary of electronic gaming devices must be the Alberta Lottery Fund).

RAFFLES (CHARITABLE LOTTERIES)

Background

Charitable groups were issued 328 raffle licences (for raffles with a total ticket value of more than $10,000) in 2000-01. They earned an estimated $24.8 million in proceeds from them.

Raffles or charitable lotteries are lottery schemes in which prizes are typically awarded based on a random draw of tickets purchased by players. In Alberta, raffles may only be conducted and managed by charitable or religious organizations that are licensed for that purpose by the Commission.

Raffles are governed under provisions of the *Criminal Code* (Canada), the *Alberta Gaming and Liquor Act* (Alberta) and the *Gaming and Liquor Regulation* (Alberta). The Board of the

Commission establishes policies for the conduct and management of raffles in the province.

Licences for raffles with a total ticket value of more than $10,000 are issued directly by the Commission to charitable groups deemed eligible. Licences for raffles with a lesser total ticket value are, for the convenience of charitable organizations, issued by any of the private registry offices across Alberta to charities that have been registered by the Commission.

Non-profit organizations that do not qualify for a gaming licence as a charity may be eligible to conduct a small raffle under section 201(1)(d) of the *Criminal Code*. In this case, the total ticket value must be $5,000 or less, the ticket price cannot exceed $2, and the retail value of any prize may not exceed $500.

Recommendations

No recommendations were made. The recommendations made earlier under the section "Gaming in General" would apply to all gaming activities, including raffles.

Changes that were implemented to raffle policies in 1998 have effectively ensured the continued integrity of raffles while providing charities the flexibility necessary to compete with other gaming activities.

A few operational issues were identified, and will be addressed through *Raffle Terms and Conditions*. They include the following.

The use of electronic technology should be evaluated to efficiently track the licensing of raffles with a total ticket value of $10,000 or less. This licensing occurs through the private registry offices throughout the province.

Raffle managers should be paid based on the number of tickets sold. The value of the fee or commission paid to a raffle ticket manager should be related directly to raffle ticket sales rather than a raffle's total ticket value, which may be an artificially inflated amount.

PROVINCIAL LOTTERIES

Provincial lotteries refers to slot machines, ticket lotteries and video lotteries or VLTs.

SLOT MACHINES

Background to the Recommendations

In 2000-01, slot machines generated $252 million for the Alberta Lottery Fund, $53.7 million in commissions to charities that held casino events, and $65.2 million in commissions to slot machine retailers (casino facility licensees and racing entertainment centre operators).

Among gaming activities conducted and managed by government, slot machines have contributed the greatest increase in net revenues over the past few years. The net revenue from slot machines (after prizes and expenses) increased to $252 million in 2000-01 from $111 million in 1998-99. By comparison, VLT net revenue increased to $574 million from $508 million over the same period.

Under the *Criminal Code* (Canada), only a provincial government may conduct and manage a lottery scheme operated on or through a computer, video device or slot machine. The *Gaming and Liquor Act* (Alberta) authorizes the Commission to conduct and manage such lottery schemes on behalf of the provincial government.

The Commission monitors the province's network of slot machines through its central computerized system as a security/control measure, a critical element in the conduct and management of slot machines.

Slot machines are found in 18 permanent facilities located throughout the province. These include 16 casino facilities and two racing entertainment centres affiliated with the racetracks at Edmonton Northlands and Lethbridge Whoop-Up Downs. The racing entertainment centres are part of the province's Racing Industry Renewal Initiative. Slots have also been provided to temporary casinos during major summer fairs and exhibitions.

Primary Issues

Slot gaming is viewed as a harder form of gaming. Many feel that they should only be available in facilities dedicated to gaming and that restrict access to those of legal age. More than half of Albertans also believe that it is up to each individual to control his or her own gambling.

Under the First Nations gaming policy, any on-reserve casinos would include slot machines in their facilities to generate charitable gaming proceeds for First Nations.

Industry stakeholders involved with facilities or premises that offer gaming activities, other than slot machines, have expressed interest in providing slots as another gaming entertainment for their customers. For example, bingo associations have expressed a strong desire to offer slot gaming in their bingo facilities to raise additional funds for charitable groups and to compete with electronic games in casinos and in bars and lounges.

Interest for slots has been expressed by hotels for proposed hotel "games rooms" and by agricultural associations that are not classified as major exhibitions during their fairs and exhibitions.

At the same time, the stakeholders involved with bingo and horse racing, two of the province's traditional gaming activities, also believe that maintaining the distinction among gaming activities, or differentiating one from the other, is important. The stakeholders felt that doing so would give consumers a clear choice, and also would be aimed at preserving the current primary gaming activity of the facility.

Recommendations

SLOTS - PUBLIC INTEREST, SOCIAL RESPONSIBILITY

SLOT MACHINE RECOMMENDATION - 1

- **Slot machines must only be permitted in charitable casino facilities during licensed casino events and in racing entertainment centres. These facilities must restrict access to those of legal age.**

SLOTS - ELIGIBILITY

SLOT MACHINE RECOMMENDATION - 2

- **Establish stringent standards for the facilities in which slot machines are to be authorized** (for the integrity of slot gaming and to meet the public demand for security and a clean modern environment for gaming).

SLOT MACHINE RECOMMENDATION - 3

- **Continue the summer fair slot program.**

SLOTS - AVAILABILITY, NETWORK ACTIVITIES

SLOT MACHINE RECOMMENDATION - 4

- **The availability of slot machines and diversity of the product mix in an authorized facility should correspond to player demand and facility capacity.**

SLOT MACHINE RECOMMENDATION - 5

- **Optimize the distribution of slot machines and product mix through performance monitoring** (to maximize the return to charities and the Alberta Lottery Fund).

SLOTS - REVENUE DIVISION

SLOT MACHINE RECOMMENDATION - 6

- **Amend the *Gaming and Liquor Act* to explicitly permit charities to receive commissions from slot machines** (and thereby formalize the current process to provide charities holding a casino event a commission for allowing slot machines at their gaming event).

SLOTS - TECHNOLOGY

SLOT MACHINE RECOMMENDATION - 7

- **Through the business planning process, develop clear policies for the systematic upgrading or replacement of terminals and central computer system equipment.**

SLOT MACHINE RECOMMENDATION - 8

- **Use technology more effectively to improve security regarding slot machines.**

TICKET LOTTERIES

Background

In 2000-01, ticket lotteries generated gross sales of $394 million in the province. Prizes amounted to $198 million, or approximately 50% of gross sales. The Alberta Lottery Fund received $161 million from ticket lotteries in 2000-01. Retailers earned commissions of $27 million, and taxes and payments to the federal government amounted to $10 million.

Ticket lotteries are provincial lottery schemes. They include Lotto 6/49, Scratch 'n Win, The Plus, Sport Select, Super 7, Pick 3, Extra, Western 649 and Special Event ticket lotteries. Ticket lotteries are played by 69% of adults in Alberta, more than any other gaming activity.

In Alberta, lottery tickets are sold through approximately 2,006 retail sites across the province, including convenience retail outlets, shopping mall kiosks, drug stores, and retail gas outlets.

Each retailer is authorized to sell the tickets under an agreement with the Commission and Western Canada Lottery Corporation (WCLC). The WCLC conducts and manages ticket lotteries on behalf of the member provincial governments of Alberta, Saskatchewan and Manitoba. The operating costs of the WCLC are shared among member provinces. Alberta's share of the operating costs was $20 million in 2000-01.

Ticket lotteries are governed under the *Criminal Code* (Canada). The *Gaming and Liquor Act* (Alberta) authorizes the Commission to conduct and manage such lottery schemes on behalf of the provincial government.

Recommendations

No significant issues were identified. Therefore, there are no specific recommendations for ticket lotteries. The recommendations made earlier under the section "Gaming in General" would apply to all gaming activities, including ticket lotteries. For example, as a matter of public interest and social responsibility, the Commission will ensure retailers continue to sell ticket lotteries only to those of legal age and sales are not being made to minors. The Commission will also continue to work with ticket lottery retailers to address any issues or concerns that arise in the future.

VIDEO LOTTERIES

Background to the Recommendations

In 2000-01, video lotteries generated gross sales of $8.4 billion. Prizes amounted to $7.7 billion, or approximately 92% of gross sales. The Alberta Lottery Fund received $575 million from video lotteries in 2000-01. Retailer commissions, and taxes and payments to the federal government amounted to $113 million.

A video lottery terminal (VLT) is a free-standing electronic gaming device, with player-activated touch-screen technology, used to play a variety of games of chance.

The terminals operating in the province are purchased and owned by the Commission on behalf of the Government of Alberta. This conforms with the provisions of the *Criminal Code* (Canada) which provide that only a provincial authority may conduct and manage electronic gaming devices. The *Gaming and Liquor Act* (Alberta) authorizes the Commission to conduct and manage VLTs.

VLTs are located only in bars and lounges under agreement between the VLT retailer and the Commission. The agreement authorizes the retailer to provide services regarding VLTs under various terms and conditions that reflect policies of the Commission regarding the conduct, management and operation of VLTs. The retailer receives a commission of 15% of net revenues for providing those services.

The Commission monitors the province's network of VLTs through its central computerized system as a security/control measure, a key element in the conduct and management of VLTs.

Public Consultations

Some of the key policies for VLT gaming in the province were adopted by the government in response to recommendations of the Lotteries Review Committee (1995). The Lotteries Review Committee, comprised of MLAs and chaired by Judy Gordon, MLA -Lacombe Stettler, consulted with Albertans about future directions for lotteries and gaming in 1995. In its report issued in August 1995, the committee noted that it was time to ask questions about how lottery funds should be used, how to improve accountability, and the impact of VLTs on communities.

A number of the committee's recommendations regarding VLTs were adopted by the government and have formed the basis of current VLT policy in the province. They include limiting the maximum number of VLTs in the province to 6,000 and allowing communities to determine by municipal plebiscite whether they wished to remove VLTs from their communities.

Another recommendation was single facilities with more than one bar or lounge with VLTs should have only one premises with VLTs. This policy had two intentions. One was to reduce the possibility of a single facility, such as a hotel, from creating many separate areas so each could apply for and receive more VLTs. The other intention was to free up VLTs so they could be allocated to bars and lounges on the VLT wait list. This policy was to be implemented by December 31, 2000, but has been deferred pending the outcome of the Gaming Licensing Policy Review.

Between February 1997 and October 1998, 40 VLT plebiscites were held in municipalities throughout Alberta. The vast majority of municipalities voted to retain VLTs, although in a number of cases by narrow margins. VLTs have been removed from Rocky Mountain House and Sylvan Lake. Various legal challenges have been initiated by retailers in other communities that voted to remove VLTs. A court injunction and the pending legal challenge have prevented the removal of VLTs from those communities.

Primary Issues

A concern of many Albertans and stakeholders is VLTs are too accessible. Any further accessibility would be of great concern.

VLT retailers have expressed their concern about any major changes being made to VLT policies or a complete restructuring of the VLT network within the province. They believe this could bring serious harm or jeopardy to their businesses which, in some cases, have come to rely upon VLTs.

Changes to VLT policies could also affect proceeds generated for the province's Alberta Lottery Fund.

Recommendations

VLTs - PUBLIC INTEREST, SOCIAL RESPONSIBILITY

VLT RECOMMENDATION - 1

- **Prior to making a decision on whether or not to enter into a video lottery retailer agreement with a prospective retailer, the Commission will consider any demonstrated local government and/or community objections to an agreement with the retailer.**

VLTs - ELIGIBILITY

VLT RECOMMENDATION - 2

- **Only qualified licensed bars and lounges (Class A Minors Prohibited licensees) that are in operation** (open for business) **may apply for VLTs.**

VLTs - AVAILABILITY, ACCESSIBILITY, NETWORK ACTIVITIES

VLT RECOMMENDATION - 3

- **Move toward a greater concentration of VLTs in fewer locations** (and thus reduce accessibility of VLTs).

VLT RECOMMENDATION - 4

- **Allow for dedicated VLT gaming venues. Such venues would have from 15 to 25 VLTs and operate under enhanced facility standards.**

VLT RECOMMENDATION - 5

- **Generally impose more stringent controls on the number and size of dedicated VLT gaming venues in the province** (initially, limited to 65 venues that would draw from a pool of 1,000 VLTs within the province's current maximum limit of 6,000 VLTs).

VLT RECOMMENDATION - 6

- **Single facilities that currently have more than one licensed premises with VLTs will be required to comply with the current policy before December 31, 2002 (that is, to have only one licensed premises with VLTs in a single facility). Their option is to meet the enhanced facility standards for the recommended dedicated VLT gaming venues under the same time limitation.**

VLT RECOMMENDATION - 7

- **Given the recommended changes for VLTs in the province** (to reduce the number of locations with VLTs) **ensure the allocation of VLTs continues to be fair, objective and transparent.**

VLT RECOMMENDATION - 8

- **Optimize the distribution of terminals through performance monitoring** (an effective, objective and transparent method to allocate VLTs and reduce their accessibility).

VLT RECOMMENDATION - 9

- **Allow a business that purchases an existing licensed premise with a certain number of VLTs to keep those VLTs in the premise** (to avoid the removal of surplus VLTs that otherwise would be allocated to new retailers and thus result in increased accessibility).

VLT RECOMMENDATION - 10

- **A relocation of an existing VLT retailer will result in the termination of the video lottery agreement except under specific, reasonable circumstances** (such as fire or unexpected or uncontrollable event, or *force majeure*).

VLT RECOMMENDATION - 11

- **Develop a set of clearly defined and specific penalties that may be assessed against retailers for violating terms or conditions of the VLT retailer agreement** (allowing the Commission to address violations other than through the termination of the VLT agreement).

VLTs - FINANCIAL CONTROL, SECURITY

VLT RECOMMENDATION - 12

- **Maintain strict financial controls for the collection of revenue** (to minimize the risk of loss).

VLT RECOMMENDATION - 13

- **Through the business planning process, the Commission will develop clear policies for the systematic upgrading or replacement of terminals and central computer system equipment.**

USE OF INTERNET FOR GAMING

Background to the Recommendations

Internet gaming or e-gaming refers to a gambling activity that is played through a computer connected to the Internet. Essentially Internet gaming involves "...on-line wagering using a personal computer and a modem."[1]

Under provisions of the *Criminal Code* (Canada), any lottery scheme operated on or through a computer or electronic device in Canada may only be conducted and managed by a provincial government. None of the provincial governments in Canada is conducting and managing a lottery scheme using the Internet.[2] A few jurisdictions have used the Internet for gaming-related promotions.

The Internet is available in homes, in the workplace and through public institutions such as schools and government offices, throughout the world. Its growth over the past few years has been phenomenal. Among other developments, new technologies are being introduced to expand and improve upon the way commercial transactions are conducted using the Internet, including transactions related to gaming on the Internet.

Primary Issues

It is acknowledged that regulating any type of activity on the Internet, including gaming, poses serious challenges and current laws do not specifically address the issue of Internet gaming. It is important that those challenges and the related issues be clearly understood and developments in Internet gaming be closely followed.

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[1] From: *Report on Gaming Legislation and Regulation in British Columbia*, January 1999. This report notes: "Players can access virtual casinos anywhere in the world, where they may bet on simulated card and dice games, slot games, sports, lottery products, scratch cards and bingo. The Internet has globalized the gaming industry."

[2] The Province of PEI has licensed a lottery scheme that would use the Internet to sell tickets worldwide. However, the lottery's web site has yet to be activated, pending the outcome of a legal suit by the Interprovincial Lottery Corporation.

Few Albertans have engaged in Internet gaming. Most adult Albertans feel that Internet gaming should be less available, despite the fact none of the provincial governments in Canada is currently conducting and managing gaming on the Internet. A few stakeholders believe the province should become involved to prevent or control Internet gaming and keep gaming dollars in the province. A problem gambling treatment agency (AADAC) is concerned about the significant problems that may arise from Albertans accessing the Internet to gamble, but also acknowledged the difficulty of controlling such access.

Recommendation

INTERNET GAMING - RESEARCH, POLICY DEVELOPMENT

INTERNET GAMING RECOMMENDATION - 1

- **The Commission will approach the subject of the use of the Internet for gaming in three main steps, as follows:**

  STEP ONE
  Research and monitor recent developments in other jurisdictions respecting the legal, regulatory, enforcement, economic and social issues related to the use of the Internet to facilitate gaming activities.

  STEP TWO
  Based on the research and findings obtained in step one, develop a longer-term strategy regarding the use of the Internet to facilitate gaming activities.

  STEP THREE
  Forward the recommended longer-term strategy for the use of the Internet in gaming, as developed in step two, through the business planning process of government.

Concluding Comments

The growth of gaming activities in the province over the past 10 years have required a careful review of the province's gaming policies, to ensure they take into account current circumstances and set out clear and specific procedures and processes.

The Gaming Licensing Policy Review was initiated for that purpose. Its specific objective was:

> To recommend licensing gaming policies that address issues of growth while continuing to ensure the effective regulation and socially-responsible delivery of gaming activities in the province over the next five years.

The recommendations presented in this report are aimed at that objective. In addressing growth, they attempt to achieve a balance between the social and fiscal capacities of the province. In that regard, the views of Albertans and stakeholder groups during the review process were instrumental.

The fundamental purpose of gaming in the province is to generate proceeds for charitable, non-profit, public and community-based initiatives. The legal framework for gaming starts with the *Criminal Code* (Canada). In Alberta, the legal framework is further defined in the provisions of the *Gaming and Liquor Act* (Alberta) and the *Gaming and Liquor Regulation* (Alberta). The guiding principles for gaming guide the development and implementation of gaming policies.

Policy recommendations were made with these legislative, regulatory and policy requirements in mind. They also considered the current gaming environment within the province.

Recommendations

The recommendations call for a clearer and greater role by communities to determine whether the expansion of licensed gaming facilities (casinos, association bingo halls) and racing entertainment centres (RECs) would be acceptable in their respective communities. In this regard, the recommended approach will be much more proactive than in the past. It will give a more prominent role to the views of the local community before any further consideration is given to expansion of licensed gaming facilities or RECs.

It is recommended that the maximum limit of 6,000 VLTs for the province, established in 1995, should continue to remain in effect. Moreover, the availability of VLTs should be reduced by consolidating VLTs in fewer locations and creating dedicated VLT gaming venues in the hospitality and tourism industries of the province.

Charities involved with bingo and pull ticket sales, two activities whose sales have been declining, will have more opportunities to compete in the province's gaming market, and bring added value to consumers, while generating proceeds for their charitable or religious community projects.

Efforts will continue to be made to ensure that gaming activities are delivered in a socially-responsible manner. Problem gambling awareness training should be compulsory for staff of all licensed gaming facilities (permanent charitable casinos and association bingo halls, as well as

racing entertainment centres) and private VLT retailers. New electronic gaming devices will contain proven responsible gaming features.

Partnership with Stakeholders

The Gaming Licensing Policy Review was the first comprehensive review that the Alberta Gaming and Liquor Commission has conducted of the province's gaming policies since the Commission was formally established in 1996.

The policy review has allowed the Commission to take a more strategic approach to consulting with stakeholders and establishing stronger relationships for the future.

It has also heightened the awareness among staff of the complex and difficult issues and challenges faced by the Commission. The common objective of the policy review has helped to focus the organization's energies toward being a more effective and responsive organization.